

McGILL UNIVERSITY

# BUDGET 2023-2024



McGill

Office of the Provost and Vice-Principal (Academic)  
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# INSTITUTIONAL SETTING

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## MISSION

The mission of McGill University is the advancement of learning and the creation and dissemination of knowledge, by offering the best possible education, by carrying out research and scholarly activities judged to be excellent by the highest international standards, and by providing service to society.

In fulfilling its mission, McGill University embraces the principles and values of academic freedom, integrity, responsibility, equity, and inclusiveness.

## MOTTO

*Grandescunt Aucta Labore* (By work, all things increase and grow)

## PRINCIPAL DEEP SAINI'S FIRST MESSAGE TO THE MCGILL COMMUNITY

Professor H. Deep Saini was appointed as the University's 18<sup>th</sup> Principal and Vice-Chancellor for a five-year, renewable term, effective April 1, 2023.

As part of his first message to the McGill community in March 2023, Principal Saini shared the following:

"Over the years, I have been fortunate to enjoy a career in higher education that has taken me across continents. In these diverse contexts, I have seen how broadly McGill's legacy of excellence resonates. Built over two centuries and counting, it is a reputation that is owed particularly to the incredible people – the students, professors, staff, alumni, and volunteers – who comprise this community.

As I prepared over the last few months to assume my new responsibilities, I have enjoyed learning more about the University's numerous contributions over time. In doing so, one question that I have been mulling over is: How do we expand on this stellar record of accomplishment to create a third century that surpasses the last two?

Fortunately, there are many strengths upon which we can already build. These include, for example, McGill's location and role in the Montréal and Québec communities, our extensive international presence and partnerships, our relentless pursuit of excellence that goes hand in hand with a steadfast commitment to equity, diversity, and inclusion, and our exceptional ability combined with an unshakable motivation to address the complex challenges facing our world.

Our ability to deliver effectively on the promise we hold for this complex world will depend on our ability to work together as a cohesive McGill that is purposefully aligned with our mission. Over the next few months, I will have the opportunity to meet with many of you. I am eager to learn from you and to hear your thoughts on how, together, we will make McGill's third century our most impactful yet."

## BUDGET 2023-2024 AT A GLANCE

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### **Revenue – Unrestricted Fund: \$1,073M**

*Unrestricted revenues are expected to increase by 6.0% compared to the 2022-2023 forecast.*

### **Tenure-Stream Academic Staff: 1,755**

*Between January 2022 and January 2023, the number of tenure-stream professors decreased by 18 and the number of tenure-stream librarians decreased by 3, after having steadily increased from 2014 to 2021.*

### **Expenses and inter-fund transfers – Unrestricted Fund: \$1,072M**

*Expenses (including inter-fund transfers) are expected to increase by 6.0% compared to the 2022-2023 forecast.*

### **Non-Tenure-Stream Academic Staff: 6,449**

*Between January 2022 and January 2023, McGill added 286 non-tenure-stream academic staff.*

### **Number of students: 39,513**

*The number of students increased by 0.6% in Fall 2022 compared to Fall 2021. Enrolment in credited programs increased by 0.7%.*

### **Administrative and Support Staff: 4,398**

*Between January 2022 and January 2023, McGill added 146 administrative and support staff, after remaining relatively stable between 2020 and 2022.*



# INTRODUCTION

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Universities play a critical role in addressing the challenges of the 21<sup>st</sup> century. Their communities generate knowledge and perspectives on social trends and challenges, artistic expression, scientific discovery, and entrepreneurial exploration rooted in different academic fields and ways of knowing. Universities work with social and business partners and with government to advance knowledge, foster creativity, widen participation, and build innovative capacity for the benefit of societies. In addition to being the engine of a knowledge economy and genuine incubators of skilled labour, they are at the heart of industrial research and development strategies.

Publicly funded and regulated universities must fulfil their missions while complying with and being subject to government legislation and regulations aimed at achieving a range of social and economic objectives. Government funding must be spent judiciously to cultivate and sustain an environment that values learning, enrichment, and achievement with and for the benefit of a diverse community of students, faculty, and administrative staff. Effective policies and governance supported by high-quality data are the sine qua non conditions to realizing the potential of community members. Universities must also communicate clearly how their academic and research activities represent a good investment, even though the return on human capital may take longer and be more difficult to measure than for other types of investments.

With these considerations in mind, we are pleased to present the McGill Budget for 2023-2024.

For the fiscal year ending on April 30, 2023, the Board of Governors approved an operating (unrestricted fund) budget with an anticipated deficit of \$9.4 million, including a \$20 million contingency. Based on January 31, 2023, actuals and commitments, financial information collected from units, and historical trends, we are expecting to end 2022-2023 with a balanced budget.

Looking ahead to 2023-2024, there will be continued financial support by the Québec Government, and we are anticipating that the decline of deregulated fee-paying students, experienced in recent years, will stabilize.

Considering our projected revenues, combined with inflationary pressures and costs associated with major capital investments, balancing McGill's operating budget will be challenging in the coming years. A series of budgetary measures will be deployed to contain expenses within available revenues.

On April 20, 2023, the Board of Governors approved a balanced 2023-2024 budget, which includes a \$10 million contingency.

This budget supports transparency, accountability, and communication with members of our community. It is built with the primary objective of allocating financial resources in such a manner as to advance the mission of McGill University, and thus enables the implementation of the University's strategic plans and initiatives and reflects the decisions the University has made regarding its activities for 2023-2024. This Budget Book reflects the information that was available at the time the unrestricted fund budget was approved by the Board of Governors.

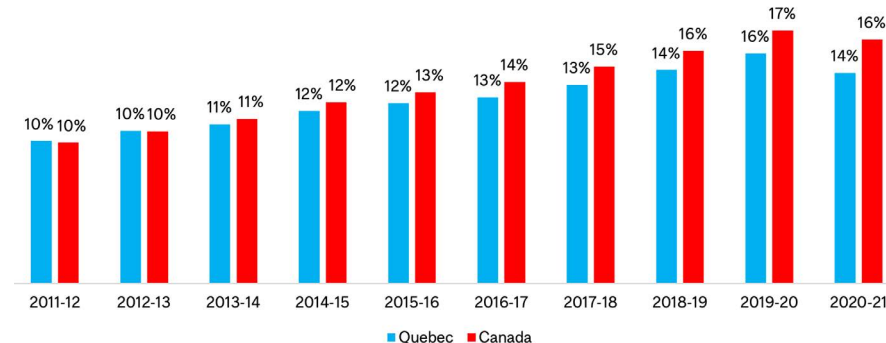
## SECTION 1: POLITICAL AND ECONOMIC ENVIRONMENT

The demand for a McGill education remains high and, overall, McGill has successfully weathered the COVID-19 pandemic storm. Commitments from the provincial and federal governments provided McGill with the means to partially offset the financial impact of the pandemic. Even still, McGill must remain strategic and agile in planning for political and economic uncertainties to ensure its success as a leading research university.

### UNIVERSITY ENROLMENT IN QUÉBEC AND CANADA

Prior to the pandemic, international students drove enrolment growth at universities across Canada and Québec for several years (Figure 1).

Figure 1: International students as a proportion of all students enrolled in Canadian and Québec universities

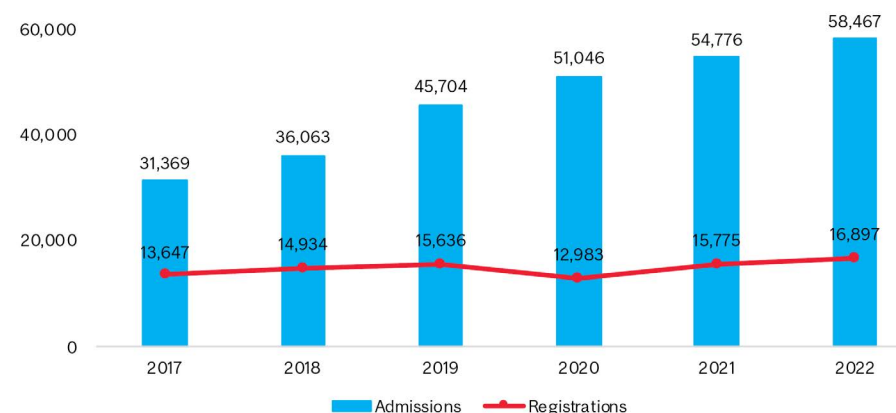


Source: Statistics Canada. Table 37-10-0018-01 Postsecondary enrolments, by registration status, institution type, status of student in Canada and gender.

COVID-19 adversely impacted international student mobility in the 2020-2021 academic year. More recent data suggest that Québec is in a COVID-19 recovery period as international students are more readily pursuing postsecondary education at Québec universities.

The application cycle for Fall 2022 saw another year-over-year increase in the number of international students admitted to Québec universities, and the number of students to ultimately register resumed an upward trend (Figure 2), even if not proportional to pre-pandemic levels.

Figure 2: International student admissions and registrations at Québec universities



Source: Bureau de coopération interuniversitaire. Ensembles des candidats.

### PROVINCIAL FUNDING

Québec grants represent the primary source of revenue for the University.

On March 21, 2023, the Québec Government tabled its budget for fiscal year 2023-2024. The budget provides for new investments totalling more than \$24 billion over the next five years.

Current economic forecasts include a high degree of uncertainty. In this context, the *Ministère des finances* has developed two alternative scenarios, one forecasting a recession and the other forecasting greater than anticipated growth. If the economic situation were to deteriorate, use of the contingency reserve built into

the financial framework would make it possible to avoid delaying the return to a balanced budget planned for 2027-2028. Conversely, an improvement in the economic situation could reduce the anticipated deficits, or even allow a return to a balanced budget before 2027-2028.

With the 2023-2024 budget, the Québec government will add an additional \$0.3 billion to previously announced investments in Québec universities of \$1.3 billion. This funding will be allocated across five years.

With this new budget, direct funding to universities will increase by 5.1%, reaching \$4.0 billion for 2023-2024 (Table 1). This includes \$57.8 million in new investments aimed at increasing accessibility to higher education and fostering success of a greater number of students through targeted initiatives supporting the government's priorities for universities:

- Improve prior learning assessment (\$2.7M)
- Support learning of the French language (\$1.7M)
- Meet additional space needs (\$20.0M)
- Increase the number of international students in French language programs (\$6.0M)
- Support teaching and student services in regions (\$2.4M)
- Increase support to universities deploying innovation zones (\$0.9M)
- Development of transversal competencies for PhD students (\$2.1M)
- Compensation for capped tuition rates and ancillary fees (\$22.0M)

Table 1: Operating funding of Québec universities (\$ billions)

Fiscal Year	Québec government budget	Québec universities' budget as a % of the Québec budget	Québec universities' budget		
			Total budget	Δ year-over-year (\$)	Δ year-over-year (%)
2019-2020	\$89.75	3.5%	\$3.177	-	-
2020-2021	\$108.02	3.1%	\$3.364	\$0.187	5.9%
2021-2022	\$119.58	3.0%	\$3.529	\$0.165	4.9%
2022-2023	\$129.7	3.0%	\$3.837	\$0.308	8.7%
2023-2024	\$125.5	3.2%	\$4.033	\$0.196	5.1%

Source: Crédits et dépenses des portefeuilles Vol. 3, Section Enseignement supérieur 2019-2020, 2020-2021, 2021-2022, 2022-2023, and 2023-2024.

This fiscal year also marks the third year of the implementation of two major government action plans in higher education as well as the third year of the “*Opération main-d’oeuvre*”. More than \$492.5 million will be invested over a 5-year period (2021 to 2026) to support these three strategic initiatives, including \$106 million in 2023-2024 towards:

- “*Plan d’action pour la réussite en enseignement supérieur*” aiming to enhance accessibility to higher education, facilitate the transition to university studies and promote perseverance and success (\$51.8M)
- “*Plan d’action en santé mentale*” aiming to provide support and accessibility to mental health services for the student community (\$9.5M)
- “*Opération main-d’oeuvre*” aiming to increase university graduation rates in strategic sectors for Québec’s economy and public services including health and social services, education, childcare services, engineering and information technology (\$44.9M).

In addition to its operating grants, McGill University works closely with the Québec government to secure funding for capital projects for the construction and renovation of its facilities through the “*Plan québécois des infrastructures*” (PQI). To meet Québec’s significant public infrastructure needs, the Government announced an increase of \$7.5 billion over 10 years to the PQI. Investment in the 2023-2033 PQI now totals \$150 billion. For the higher education sector, this translates into a \$579.1 million increase in funding year over year (7.3%) (Table 2). As part of this commitment, McGill will receive a total of \$890 million in new and previously committed capital funding for authorized projects valued at \$20 million or more, including \$620 million for the New Vic project:

- \$527.9M for the redevelopment of the former Royal Victoria Hospital site (\$620M total investment)
- \$23.4M for the refurbishment of the Raymond Building (\$48.6M total investment)
- \$14.1M for the refurbishment of the Stewart Biology Building (\$100.5M total investment)
- \$31.4M for the restoration of Wilson Hall (\$45.1M total investment)
- no additional commitments for the refurbishment of the Macdonald-Stewart Library Building (\$36.7M total investment)
- \$11.3M for the refurbishment of the Strathcona Music Building (\$14.7M total investment)
- \$9.1M for the refurbishment of the Ferrier Building (\$24.6M total investment).

Table 2: Plan Québécois des infrastructures 2023-2033 in higher education (\$ millions)

	2022-2032	2023-2033	Δ year-over-year (\$)	Δ year-over-year (%)
Maintien des Infrastructures	\$5,894.3	\$6,279.4	\$385.1	6.5%
Bonification des infrastructures	\$1,247.1	\$1,453.3	\$206.2	16.5%
Infrastructures subtotal	\$7,141.5	\$7,732.8	\$591.3	8.3%
Ressources informationnelles	\$799.8	\$787.7	(\$12.1)	(1.5%)
<b>Total</b>	<b>\$7,941.3</b>	<b>\$8,520.4</b>	<b>\$579.1</b>	<b>7.3%</b>

Source: Plan québécois des infrastructures 2023-2033 Vol.6, Section B- Tables 1.1 & 2.3.1

## TUITION AND FEES

Tuition and fees represent the second largest source of revenue for the University. All regulated students pay a base tuition fee, which is limited to a maximum annual indexation rate of 3% for the period from January 1, 2023, to December 31, 2026 in accordance with Bill 1. For the 2023-2024 academic year, the base Québec resident tuition will increase by 3% to \$96.03 per credit (equivalent to \$2,880.90 for a student taking 30 credits). The same rate of increase applies to all ancillary fees unless an agreement is reached with the students to apply a higher rate. Regulated Canadian out-of-province and international students are also charged a supplement (or *forfaitaire*). This supplement has a nil impact on McGill's budget since the government reduces its funding to the university by an equivalent amount.

For 2023-2024, the Québec Government has confirmed that it will compensate universities for the shortfall of revenues resulting from a gap between the anticipated 5% increase in regulated tuition rates, based on economic indicators, and the increase of 3% for the next four years announced in December 2022. Regulated rates apply to Canadian and French citizens enrolled in undergraduate and Masters non-thesis programs, as well as to all students in Masters thesis and PhD programs.

Since Fall 2019, tuition fees for international students in all bachelors-level and masters-level non-research programs, including postgraduate medical and dental education, have been deregulated in accordance with the Québec government's higher education funding policy. Universities are expected to offset the costs of recruitment and support (formerly covered by the additional supplement) as well

as the loss of all government grants for students in deregulated programs through deregulated tuition fees.

McGill continues to strategically plan its enrollment and model its deregulated tuition fees to ensure the financial sustainability of the University and its academic programs. Effective Fall 2022, McGill has changed its tuition model for new international bachelors students who pay international tuition fees. These students benefit from a guaranteed set tuition rate for the duration of their program, eliminating the unpredictability of year-over-year tuition increases and making it easier to plan.

## FEDERAL FUNDING

The federal government is the fourth largest source of revenue for McGill University. It invests considerably in colleges and universities through research and innovation grants, infrastructure funding, student scholarships, grants and loans, tax credits, transfers to provinces, and promoting Canadian postsecondary education abroad. On March 28, 2023, the federal government tabled its Budget for 2023-2024 (Budget 2023).

Since 2016, the federal government has committed more than \$16 billion of additional funding to support research and science across Canada. In contrast, Budget 2023 contained very limited new spending measures aimed at the university sector.

Budget 2023 proposes to provide \$813.6 million in 2023-2024 to enhance student financial aid by increasing Canada Student Grants by 40% over their pre-pandemic level to \$4,200 for full time students, raising the interest free Canada Student Loan limit, and waiving the requirement for mature students to undergo credit screening. These changes will allow post-secondary students to access up to \$14,400 in enhanced Canada Student Financial Assistance for the upcoming school year.

Reflecting recent reports concerning foreign interference in Canada, Budget 2023 includes a number of new measures which may impact the higher education sector, including \$13.5 million over five years, starting in 2023-2024, and \$3.1 million ongoing to Public Safety Canada to establish a National Counter-Foreign Interference Office.

In the area of innovation, \$500 million over ten years will be provided to the Strategic Innovation Fund to support the development and application of clean technologies in Canada. The Strategic Innovation Fund will also direct up to \$1.5 billion of its existing resources towards projects in sectors including clean technologies, critical minerals, and industrial transformation.



## REGULATORY ENVIRONMENT

### Pension Plan

Under government regulations, an actuarial valuation must be performed on the McGill University Pension Plan (MUPP) every three years. The University is obliged to make supplementary contributions from the budget of the unrestricted fund to the pension plan to make up for any shortfalls in the ability to cover the defined pension benefits to departing employees as well as shortfalls in annuity plans written for some pensioners.

An actuarial valuation will be performed using the December 31, 2022 values. The last actuarial valuation was triggered as at December 31, 2019, one year earlier than required by legislation, due to favourable interest rates.

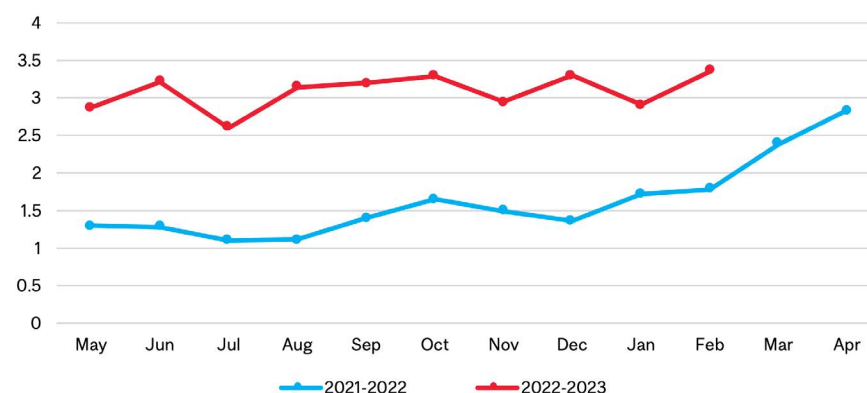
The December 31, 2019, valuation reported that the MUPP had a going concern unfunded liability of \$38.2 million translating into a funded ratio of 97.7%. The prior valuation was performed as at December 31, 2017, and reported a going concern unfunded liability of \$47.4 million.

### Interest Rates

The trend in higher bond yields remains in 2022-2023. Persistent inflation data has been exerting pressure on the Bank of Canada to tighten monetary policy. Canada's central Bank has continued to hike interest rates during 2022 and until March 2023, when the bank decided to pause at 4.5%. Interest rates have an impact on McGill's investment revenues and borrowing costs. Higher short-term interest rates increase McGill's cost of short-term borrowings through the various credit lines the University has available with its banks. These costs are expected to be somewhat offset by the higher returns the University will earn on its short-term liquid investments. Additional offsets are expected from the new short-term financing regime with *Financement-Québec*, with lower interest rates in comparison to the lines of credit that are negotiated with banks. Similarly, an increase in long-term bond yields increases the cost of future long-term debt financing for the University. Again, these increased costs would be somewhat offset by higher interest income from the sinking fund, and by the protection offered from the hedge (rate lock) implemented for the upcoming long bond issuance.

Variations in interest rates also impact pension liabilities and other post-employment benefits re-measurements. Higher interest rate should improve the financial position of the pension plan and accordingly reduce the contributions to the deficit, if any.

Figure 3: Government of Canada Marketable Bonds, Average Yield - 5-10 years (%)



Source: Bank of Canada.

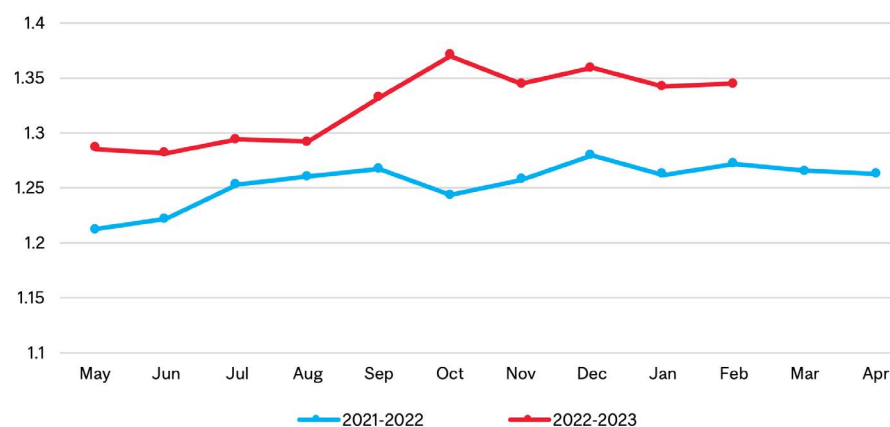
### Currency Exchange Rate

The exchange rate of a U.S. dollar fluctuated between \$1.25 CAD and \$1.39 CAD between May 2022 and February 2023 (Figure 4). The U.S. dollar is expected to remain elevated against the Canadian dollar as the Federal Reserve should continue hiking rates at a faster pace than the Bank of Canada over the coming months.

The exchange rate of the Canadian dollar relative to the U.S. dollar impacts McGill's budget through several channels. First, a higher value of the U.S. dollar relative to the Canadian dollar makes McGill's tuition fees more affordable for American students and their parents. Second, a higher value of the U.S. dollar relative to the Canadian dollar may render McGill less attractive when recruiting and retaining talented faculty from other countries as it pays salaries in Canadian dollars<sup>1</sup>. Third, a lower Canadian dollar makes purchases of goods in U.S. currency more expensive, including library serial collections, books, and research equipment. McGill is a net purchaser of U.S. goods.

<sup>1</sup> Other financial parameters impact the financial proposition made to potential faculty (e.g., tax rates, housing costs, availability of public services)

Figure 4: Monthly Average Exchange Rate, USD vs. CAD



Source: Bank of Canada.

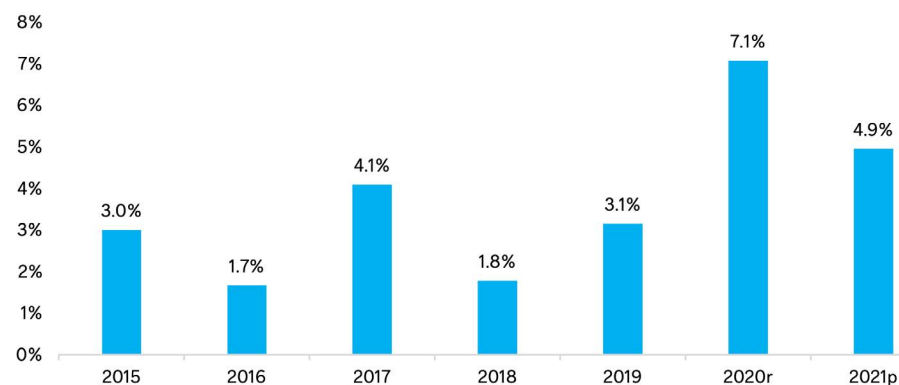
## Disposable Income Per Capita

Disposable income per capita has historically been used by the Québec government to set the annual increase of base tuition fees (with a two-year lag) for regulated students. Tuition fees represents a major source of revenue for universities.

Québec experienced fluctuations in disposable income per capita in recent years. Preliminary data suggest it grew at a rate of 4.9% in 2021 (Figure 5). This would have positively impacted the base Québec tuition fees to be collected in 2023-2024, however the Ministry announced it will introduce an indexation rate of 3% for the next four years, in order to mitigate the impact of inflation on students.

The Ministry announced it will compensate universities for the shortfall, as compared to the indexation levels calculated in previous years based on economic indicators. This rate will apply to Québec base tuition, Canadian and international regulated rates as well as ancillary fees.

Figure 5: Nominal Disposable Income per Capita, Québec, Annual Growth Rate

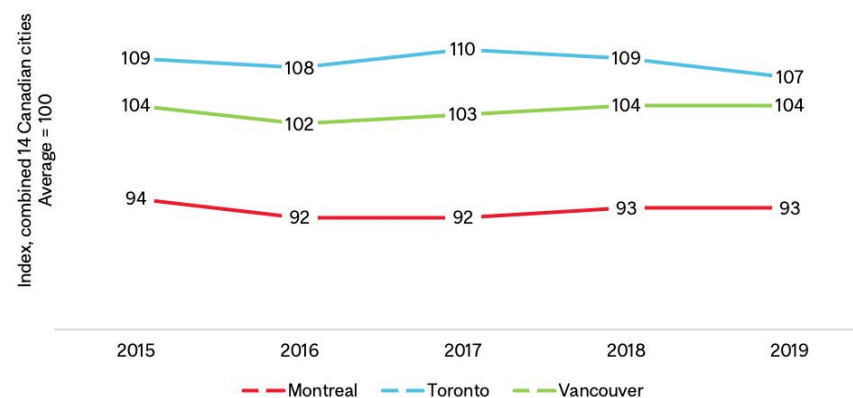


Source: Statistics Canada, Comptes économiques provinciaux et territoriaux & Estimations de la population (September 2022). Adapté par l'Institut de la statistique du Québec (ISQ).

Note: p: Provisional data; r: Revised data

The inter-city indexes of price differential on consumer goods and services estimates differences in the costs of products across Canada. This index shows that the cost of consumer goods and services in Montréal in 2019 was 14% and 11% lower than in Toronto and Vancouver, respectively (Figure 6).

Figure 6: Inter-city index of price differential of consumer goods and services



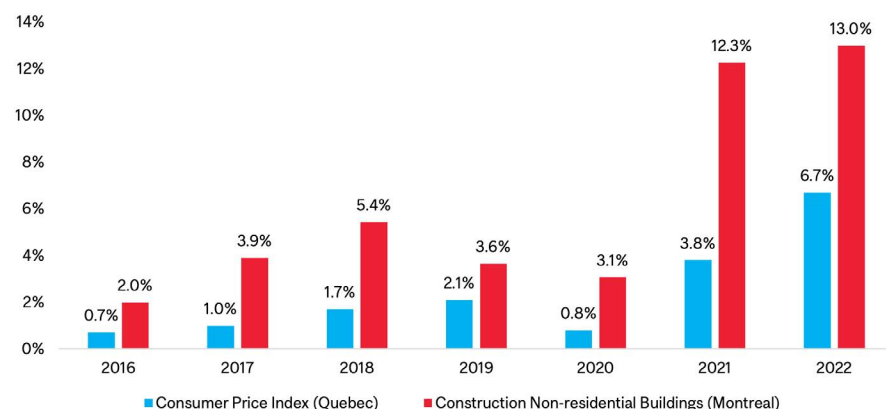
Source: Statistics Canada. Table 18-10-0003-01 Inter-city indexes of price differentials of consumer goods and services, annual.

## Inflation

When used in conjunction with disposable income per capita, inflation measured with the Consumer Price Index (CPI) provides indications of the financial capacity of households to save, including for postsecondary education. The CPI in Québec increased by 6.7% in between March 2021 and March 2022, while the average increase in 2021 was 3.8% (Figure 7). The pace year-over-year marks the fastest growth in 30 years and is attributed to global supply chain constraints and scaling consumer demand as the economy reopens and societies learn to live with COVID-19.

Inflation as measured by the CPI does not necessarily reflect the inflation faced by universities. Increased demand for construction causes inflationary pressures on costs on capital projects inputs. Montréal has experienced accelerated inflation of the Building Price Construction Index for non-residential buildings, which reached an annual growth rate of 13% in the third quarter of 2022 (Figure 7).

*Figure 7: Annual change in Consumer Price Index (Québec) and Overall Construction of Non-residential Buildings (Montréal)*



Source: Statistics Canada. Table 18-10-0135-01 Building Construction price indexes, by type of building. Institut de la statistique du Québec.

For institutional buildings, specifically, the Building Price Construction Index is projected to reach an annual growth rate of 8.5% in the first quarter of 2022. Tracking inflation on multi-year construction projects and revisiting initial assumptions at the planning stage is critical for budgeting. Additional capital funding provided by governments enables universities to modernize their facilities and address years of deferred maintenance.



## SECTION 2: MCGILL STRATEGIC PLANNING

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### THE 2017-2022 STRATEGIC ACADEMIC PLAN

The 2017-2022 Strategic Academic Plan supports the implementation of priorities of the Principal and Vice-Chancellor by serving as a guide for central strategic planning and providing opportunities for expression and implementation at the local level. The plan focuses on the following objectives:

**Be open to the world:** McGill will strive to remain an institution of choice for international students and faculty and will make a commitment to providing undergraduate and graduate students with a 21st century education by increasing the number of enriched educational opportunities that offer opportunity for global engagement.

**Expand diversity:** We will deepen our commitment to excellence and diversity in faculty recruitment and career progression. We will also enhance accessibility for students from underrepresented groups, especially Indigenous students.

**Lead innovation:** We commit to supporting pedagogical and curricular innovation, including increased numbers and availability of active learning classrooms, and the implementation of robust programs to prepare undergraduate and graduate students for the full range of careers available to them, as well as to contribute to the innovation ecosystem of Montréal, Québec, and Canada.

**Connect across disciplines and sectors:** We will reduce administrative barriers to academic appointments across academic units and facilitate interdisciplinary teaching and research.

**Connect with our communities:** We will embrace our cultural milieu and physical location to build collaborative relationships with educational, commercial and policy sectors in Montréal and Québec and across Canada.

Details about the 2017-2022 Strategic Academic Plan can be found here: [www.mcgill.ca/provost/academic-plan](http://www.mcgill.ca/provost/academic-plan)

### THE 2019-2024 STRATEGIC RESEARCH PLAN

For close to two centuries, McGill University has attracted some of the world's brightest researchers and young minds. Today, McGill remains dedicated to the transformative power of ideas and research excellence as judged by the highest international standards. McGill benefits immensely from its place at the centre of a vibrant hub of intellectual, cultural, and scientific activity. In addition to Montréal's many academic institutions, major government laboratories and research-intensive industry are situated in the city. These organizations anchor research clusters in life sciences, sustainable resource utilization, aeronautics, and artificial intelligence.

The Strategic Research Plan expresses McGill's core commitments to research. It is centered on four strategic objectives:

- Strengthen the Innovation and partnership agenda.
- Steward research trajectories toward collaborative, large-scale initiatives and international partnerships.
- Promote and draw on diversity in all aspects of research.
- Lead in open science and data management.

Details about the 2019-2024 Strategic Research Plan can be found here: [www.mcgill.ca/research/srp](http://www.mcgill.ca/research/srp)

## MCGILL UNIVERSITY CLIMATE & SUSTAINABILITY STRATEGY 2020-2025

The Climate & Sustainability Strategy 2020-2025 is the University's roadmap to achieve the highest standards of sustainability. This new plan builds on past successes and commits to three long-term targets:

- By 2030, attain a Platinum sustainability rating from the Association for the Advancement of Sustainability in Higher Education (AASHE);
- By 2035, become zero-waste by bolstering education initiatives, and implementing changes in the campuses' infrastructure, supply chain and waste collection programs; and
- By 2040, achieve carbon neutrality through large-scale energy transformations, electrification of the University vehicle fleet, and offsetting a portion of air travel emissions.

Details about the McGill University Climate & Sustainability Strategy 2020-2025 can be found here: [www.mcgill.ca/sustainability/sustainability-strategy](http://www.mcgill.ca/sustainability/sustainability-strategy)

McGill has committed to becoming an institutional model of sustainability for society as we pursue our academic and research mission. One of the main tools to support this transition is the University's flagship Sustainability Projects Fund (SPF). It is the largest fund of its kind in Canada, with an annual budget of approximately \$1 million to build a culture of sustainability on McGill campuses. Since its creation in 2010, the SPF has supported over 300 projects led by McGillians spanning across Faculties, units, and student groups. The SPF is a unique example of collaboration between the student body and the University administration, both in the funding, decision-making and project implementation.

In 2022-2023, the students voted to renew their contribution of \$0.55 per credit - an amount that totals almost \$500,000 annually - which will be matched dollar for dollar by the University for an additional 5 years. This extension of the SPF demonstrates the commitment of students, staff, and faculty to collaborating on innovative solutions and to reaching the targets set out in the Climate & Sustainability Strategy 2020-2025.

## MCGILL UNIVERSITY EQUITY, DIVERSITY & INCLUSION (EDI) STRATEGIC PLAN 2020-2025

The EDI Strategic Plan acknowledges and seeks to address historic and ongoing injustices that challenge equal opportunities within the McGill community. Over the next five years, it describes an institutional commitment to embed EDI in all core areas of the University as represented in the following five themes:

1. Student experience
2. Research and knowledge
3. Outreach
4. Workforce
5. Physical Space

Details about the EDI Strategic Plan 2020-2025 can be found here: [www.mcgill.ca/equity/files/equity/mcgill\\_strategic\\_edi\\_plan\\_2020-20251.pdf](http://www.mcgill.ca/equity/files/equity/mcgill_strategic_edi_plan_2020-20251.pdf)

## THE 2020-2025 IT SERVICES STRATEGIC PLAN

The IT Services Strategic Plan is a five-year roadmap covering multiple initiatives in each of the focus areas:

- Unified digital experience: Improve accessibility, mobility and self-service for all students, faculty and staff
- Operational efficiency: Simplify processes and workflow while increasing self-service
- Strategic decision-making: Increase analytic capabilities to improve student experience through access to strategic data. Improve management decision making with more access to data
- Sustainability and security: Protect our community online with a secure learning and working environment, and promote online collaboration.

Details about the 2020-2025 IT Services Strategic Plan can be found here: [www.mcgill.ca/it/strategic-plan-0](http://www.mcgill.ca/it/strategic-plan-0)





## THE MCGILL UNIVERSITY CAMPUS MASTER PLAN

The McGill University Campus Master Plan provides a framework for defining a clear vision for the development of physical campuses that reflect the objectives of the University. The development and changes on campus occur cohesively such that spaces and resources are allocated in a manner that effectively supports the objectives of the University. It was developed with extensive consultation with McGill and greater Montréal communities.

Initiatives being considered for new or further integration in the campus Master Plan include the transformation of the former Royal Victoria Hospital site, the

development of the Powell site, the transformation of the McLennan-Redpath Library, the renovation of Wilson Hall, the conversion of commercial space in 680/688 Sherbrooke Street West building to space suited for an academic vocation, the transformation of the Montréal Neurological Institute, and the representation of Indigeneity in infrastructure planning at McGill University

Details about the McGill University Campus Master Plan and related initiatives can be found here: [www.mcgill.ca/facilities/planning-design-construction/master-plan](http://www.mcgill.ca/facilities/planning-design-construction/master-plan)

## SECTION 3: BUDGET AND FINANCIAL INTEGRATION AT MCGILL

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This Budget represents a plan to allocate financial resources to achieve the University's strategic priorities.

McGill prepares its Budget on a modified accrual basis (i.e., transactions are recognized when the generating activity takes place rather than when the revenue is received, or when the expense is incurred).

McGill uses fund accounting and prepares its budget accordingly. The Budget covers four funds: the unrestricted fund, the restricted fund, the endowment fund, and the plant fund.

The unrestricted fund is used to record revenues that the University can allocate at its discretion, subject to legislation and government regulation. Unrestricted revenues allow the University to fund activities supporting its primary academic mission with limited external constraints and is critical to preserve the autonomy of the University. Most operating expenses are recorded in the unrestricted fund, with three significant exceptions: (1) the annual amortization of assets is recorded in the plant fund; (2) some academic salaries are recorded in the restricted fund and (3) a significant portion of student aid is recorded in the restricted fund. The unrestricted fund is used as the residual funding source for capital assets when no other source of funding is available. Unrestricted revenues fund significant acquisitions of capital assets (e.g., library collections and other equipment) and capital project costs that do not meet government or internal capitalization requirements (e.g., movable equipment and non-capitalized costs of administrative and support staff time allocated to capital projects). Finally, unrestricted revenues are used as the residual source of liquidity for repayment of financial liabilities when no other source of liquidity – either from revenues or balance sheet – is available (e.g., debt and bond repayments).

From the planning exercise of units to the production of the financial statements, revenue and expense reclassifications occur in the unrestricted fund due to the capitalization of goods and services purchased by units. When units plan their spending, they plan according to the type of goods and services (e.g., books, equipment) that they will be acquiring, while central administration is responsible for the rules and operations related to the capitalization of assets on the University's





balance sheet. Expenses on goods and services initiated in the unrestricted fund by units are reclassified as inter-fund transfers from the unrestricted fund to the plant fund, from which capitalization on the University's balance sheet is performed by central administration.

The budget of the unrestricted fund does not include subsequent year-end audit adjustments (i.e., unused vacation days, post-retirement benefit obligations, and accrued pension liabilities). McGill also does not budget benefit re-measurements nor book-to-market adjustments as these are volatile and assessed only at the end of the fiscal year for inclusion in its financial statements. Regulations governing the provincial conditional grant require excluding those elements from the balance of the unrestricted fund. Notably, the magnitude of these two items may be significant and may cause annual variations in the tens of millions of dollars in the unrestricted fund results reported in the financial statements.

Differences between revenues and expenses presented in the budget and the forecast, and what we see in the financial statements must be interpreted with caution particularly due to expense reclassifications and differences in scope. This budget presents the perspective of the units.

The restricted fund is typically used to manage scholarships and research funding and are associated with significant reporting requirements, both at the time of application and for reporting on their use. Restricted fund revenues are provided by external stakeholders for specific purposes as well as from the annual income distribution coming from endowment funds. Individual funds are typically not allowed to run deficits and restricted funding sources may not be covering the entire administrative costs of initiatives funded with restricted revenues. In such cases, residual indirect costs of research are absorbed by the unrestricted fund.

The plant fund is used to record resources allocated specifically to acquire capital assets (e.g., via capital grants). The amortization of the University's assets is also recorded in the plant fund. Most outlays on capital projects charged to the plant fund get capitalized on the balance sheet and do not show up as University expenses. The plant fund also includes charges related to principal repayment and interest charges on financial instruments.

The endowment fund is used to manage the University's endowment assets. No revenues or expenses are recorded in the endowment fund, but it is subject to inter-fund transfers to and from other funds, as well as to book-to-market adjustments impacting the value of the balance of the fund.

## SECTION 4: 2022-2023 IN REVIEW

McGill University determines the volume of its activities through its annual planning processes that set the planning of teaching activities (through enrolment targets), research, and administrative and support activities.

### HEADCOUNTS

Student enrolment drives major revenue sources, including grants and tuition and fees. Student enrolment in credit programs increased by 0.7% between Fall 2021 and Fall 2022 (Table 3). Overall enrolment at the undergraduate level was up 1.2%, influenced by the resumption of student exchanges. Graduate enrolment decreased slightly year-over-year but increased in research-based programs, most notably at the doctoral-level.

Table 3: Student Enrolment, Fall Semester

	Fall 2021	Fall 2022	Δ year-over-year (%)
Undergraduate	26,765	27,085	1.2%
Graduate			
Master	5,092	4,932	(3.1%)
Doctoral	4,022	4,116	2.3%
Other Graduate	1,297	1,296	(0.1%)
Total Graduate	10,411	10,344	(0.6%)
Total Students (credit)	37,176	37,429	0.7%
Postdoctoral	698	652	(6.6%)
Residents and Fellows	1,393	1,432	2.8%
Grand Total	39,267	39,513	0.6%

Source: McGill Enrolment Services. Enrolment Report Fall 2022: Overview by Level.

A snapshot of staff headcounts is taken annually on January 31 when the operations of the University peak. This ensures that the scope of the headcount is closely aligned with the scope of salary expenses reported in the financial statements, which include salary expenses for employees under contracts that end before April 30.

The overall staff headcount increased by 3.4% between January 2022 and January 2023 (Table 4). Academic staff rose by 3.3%, attributable to an increase of 286 non-tenure-stream academics. The number of tenure-stream academics decreased





by 18 professors and 3 librarians. Overall, administrative and support staff counts rose by 3.4% between January 2022 and January 2023

Table 4: Staff Headcount, as of January 31 each year<sup>1</sup>

	Jan-21	Jan-22	Jan-23	Jan 2022 - Jan 2023 Δ year-over-year (%)
<b>Academic Staff</b>				
Tenure-stream professors	1,740	1,716	1,698	(1.0%)
Tenure-stream librarians	62	60	57	(5.0%)
Non-tenure-stream academics	5,998	6,163	6,449	4.6%
<b>Total Academic Staff</b>	<b>7,800</b>	<b>7,939</b>	<b>8,204</b>	<b>3.3%</b>
<b>Administrative and Support Staff</b>				
Clerical <sup>2</sup>	832	758	1,301	71.6%
Executives	23	22	24	9.1%
Library Assistant	65	66	59	(10.6%)
MPEX <sup>2</sup>	2,477	2,619	2,234	(14.7%)
Technical	381	384	380	(1.0%)
Trades & Services	407	403	400	(0.7%)
<b>Total Administrative and Support Staff</b>	<b>4,185</b>	<b>4,252</b>	<b>4,398</b>	<b>3.4%</b>
<b>Grand Total</b>	<b>11,985</b>	<b>12,191</b>	<b>12,602</b>	<b>3.4%</b>

Note1: Staff on Long-Term Disability, Emeritus Professors, students and casual employees are excluded from the counts. Data is as at January 31 of the respective year.

Note2: As a result of the unionization of M1 positions effective September 9, 2022, 572 unionized M1s were integrated into the MUNACA bargaining unit in late Fall 2022. As such, the Clerical group increased by 71.6% and the MPEX group saw a reduction of 385 staff for a net decrease of 14.7%.

## 2022-2023, UNRESTRICTED FUND

The consolidated unrestricted fund forecast for 2022-2023 is a surplus of \$0.5 million. This amount represents a surplus of 0.05% of forecasted revenues, while the budgeted deficit for 2022-2023 was \$9.4 million, or 0.94% of budgeted revenues.

Unrestricted revenues are forecasted to be \$10.8 million (1.1%) higher than budgeted, while unrestricted expenses are forecasted to be \$0.8 million (0.1%) higher than budgeted (Table 5).



Higher revenues come from three different sources. The anticipated increase in MES grants compared to budget is due to the reclassification of revenues (and associated expenses) into the unrestricted fund that were originally expected to be directed to the restricted fund. Current sales of goods and services revenue expectations are \$11 million higher than budgeted, representing 91% of pre-COVID levels. Short-term interest revenue expectations are up \$7 million compared to budget due to higher interest rates and cash balances. Higher cash balances are mainly the result of a change in the methodology at the Ministry for claiming funding for infrastructure projects that is done on a monthly basis instead of an annual reimbursement process.

Salary expenses are forecasted to be \$9.8 million higher than budgeted. The anticipated reduction of \$4.8 million in academic salaries compared to budget is due to the lower-than-anticipated cost of academic renewal (number of tenure-track arrivals vs. departures). On the other hand, the anticipated increase of \$8.9 million in administrative and support staff salaries compared to budget is attributable to an increase in the number of administrative and support staff (up 3.7% between January 1, 2022 and January 1, 2023) due to the resumption of on campus activities and successful hiring, as well as the higher-than-anticipated cost of staff collective agreements. Student aid forecasts are in support of new initiatives are also up. Non-salary expense expectations are up \$10.5 million compared to budget. Increased spending is marginal in most expense categories, with the largest incremental cost being attributable to an increase in bad debts.

Table 5: Forecast of Unrestricted Fund, 2022-2023 (\$ thousands)

Unrestricted Fund	Budget 2022-2023	Forecast <sup>1</sup> 2022-2023	Variance (\$)	Variance (%)
Grants - Canada	\$31,799	\$32,931	\$1,132	3.6%
Grants - Québec	415,970	429,971	14,000	3.4%
Tuition & Fees	410,568	388,819	(21,749)	(5.3%)
Sales of Goods & Services	124,026	135,186	11,159	9.0%
Gifts & Bequests	7,826	8,729	904	11.5%
Endowment Revenue (Investment income)	9,485	7,681	(1,804)	(19.0%)
Short Term Interest Revenue (Interest income)	1,825	8,933	7,108	389.5%
<b>Revenues: Total</b>	<b>\$1,001,500</b>	<b>\$1,012,250</b>	<b>\$10,751</b>	<b>1.1%</b>

Academic Salaries	\$326,025	\$321,229	(\$4,796)	(1.5%)
Administrative and Support Salaries	277,500	286,408	8,908	3.2%
Student Salaries & Payments	15,500	17,643	2,143	13.8%
Student Aid	50,046	53,221	3,175	6.3%
Benefits	112,678	113,077	399	0.4%
<b>Expenses: Salaries and Benefits</b>	<b>\$781,750</b>	<b>\$791,579</b>	<b>\$9,829</b>	<b>1.3%</b>
Materials, Supplies & Publications	\$39,583	\$39,874	\$291	0.7%
Building & Occupancy Costs	38,859	39,354	494	1.3%
Contract Services	24,002	25,309	1,307	5.4%
Energy	19,605	19,945	340	1.7%
Cost of Goods Sold & Services Rendered	18,767	18,924	157	0.8%
Hardware and Software Maintenance	16,562	17,867	1,305	7.9%
Professional Fees	12,285	15,024	2,738	22.3%
Contribution to Partner Institutions	10,366	11,226	860	8.3%
Capital Purchases	9,175	6,596	(2,579)	(28.1%)
Interest & Bank Charges	932	853	(80)	(8.6%)
Other Non-Salary Expenses	12,497	18,164	5,667	45.4%
<b>Expenses: Non-Salary</b>	<b>\$202,634</b>	<b>\$213,136</b>	<b>\$10,502</b>	<b>5.2%</b>
Inter-Fund Transfers	6,495	7,013	517	8.0%
Contingency	20,000	0	(20,000)	(100.0%)
<b>Expenses: Total</b>	<b>\$1,010,879</b>	<b>\$1,011,727</b>	<b>\$849</b>	<b>0.1%</b>
<b>Surplus / (Deficit)</b>	<b>(\$9,379)</b>	<b>\$523</b>	<b>\$9,902</b>	

<sup>1</sup> as per January 2023 actuals and commitments, inputs from units, and trend forecasts

## SECTION 5: BUDGET

The 2023-2024 unrestricted fund budget assumptions support the allocation of resources towards the 2017-2022 Strategic Academic Plan (Table 6).

Table 6: Objectives, Indicators, and Targets of the 2017-2022 Strategic Academic Plan

Objective	Indicator	Target
Be Open to the World	Share of international undergraduate enrolment	Maintain in 25%-30% range.
	Number of enriched educational opportunities that create occasion for global engagement.	Double the proportion of undergraduate students undertaking educational opportunities with global engagement.
Expand Diversity	Proportion of women at the rank of full professor	Reach 25% by 2022.
	Proportion of people from other equity groups at rank of full professor	Reach 20% by 2022.
	Enrolment of Indigenous students.	Increase enrolment of Indigenous students to 1,000.
Lead innovation	Number and availability of collaborative and active learning classrooms.	Increase number and availability of collaborative and active learning classrooms.
	Number of online programs.	Implement five online programs by 2022.
Connect across disciplines and sectors	Resources invested in large interdisciplinary and inter-sectoral projects.	Increase resources (human and financial) in large interdisciplinary and inter-sectoral projects.
Connect with our communities	New registrations from the French language CEGEP system.	Increase number of applications by 15% between 2017 and 2022.

### 5.1 MAJOR INITIATIVES 2023-2024

#### FLEXIBLE WORK ARRANGEMENTS

McGill remains proactive in its approach to flexible work arrangements for administrative and support staff, following the introduction in January 2020 of the Flexible Work Arrangements (FWA) pilot Program, which fortuitously set the stage for the development of a more flexible work culture before the outbreak of the pandemic. The pilot was also foundational to McGill's Interim Flexible Work Arrangements (IFWA) program rolled out in Spring 2022 with participation from over 2000 eligible employees. The IFWA remains an interim measure while learning continues both at the institutional and local level.

After more than a year of benchmarking, experimenting with programs like the IFWA and the New Models of Work pilot project, and data gathering about the future of work, here at McGill and elsewhere, the University is consulting with a cross-section of staff, faculty, managers, academic leaders and executives, to help shape our workplace vision and formulate recommendations regarding key elements and next steps for shaping hybrid work at McGill. *Shaping the Future of Healthy Hybrid @ McGill* is a consultative initiative to support the development of a proposed framework and set of guiding principles to best support McGill's future flexible work arrangements.

#### STUDENT FINANCIAL SUPPORT

In addition to deploying efforts to seek funding for scholarships, fellowships, and bursaries for McGill students from external sources, McGill continues its commitment to accessibility by increasing its contributions towards student aid and support in 2023-2024.

At the undergraduate level, adequate student financial support is a key component towards attracting a diverse student body, especially for students facing significant economic barriers. Substantial increases in funding for McGill financial aid programs

are bringing us closer to our goal of ensuring all qualified first-degree students can gain access to McGill, regardless of their financial circumstances.

Growth in McGill's need-based aid programs is made possible by the University's commitment to set-aside a portion of net new revenue derived from deregulated tuition increases for student financial support. These funds will primarily be used to bolster the need-based Entrance and In-Course Bursary program, prioritize Indigenous undergraduate awards and increase the number of merit-based Entrance Scholarship offers.

McGill has recognized the need to provide competitive graduate student support to attract the best graduate students to work alongside our prominent researchers. The University's funding strategy focuses on providing appropriate funding to all our graduate students. To this effect, as of the 2022-2023 academic year, McGill has increased its central funding allocation in support of graduate students. Graduate and Postdoctoral Studies (GPS) works with graduate units to optimize the use of the allocation as part of effective funding packages to attract top students. Faculties also benefit from a new Graduate Enrolment Driven Initiative (GEDI). They receive additional funding based on their incremental increase in doctoral enrolment.

## INDIGENOUS STUDIES AND EDUCATION INITIATIVES

McGill is building upon a strong foundation for its commitment to Indigenous academic and community engagement. The Office of the Provost and Vice-Principal (Academic) has built new capacity in the Office of Indigenous Initiatives (including First People's House) through the hiring of dedicated team members, led by the Associate Provost (Indigenous Initiatives).

Funding for Indigenous students is expanding. In 2021-2022, McGill was awarded a \$1.9 million grant over three years from the Québec government to support the deployment of enhanced services for Indigenous students. As of Fall 2022, every Indigenous student pursuing an undergraduate degree on a full-time basis will be awarded \$5,000 (renewable), provided they complete an application annually to Indspire and have confirmed affiliation with an Indigenous community and Canadian citizenship. This is in addition to the Provost's Indigenous Achievement Award (\$5,000 renewable) for first-time undergraduate students entering a degree program with exceptional high school or CEGEP grades, who are not granted a McGill Entrance Scholarship, and who have confirmed affiliation with an Indigenous community and Canadian citizenship. At the graduate level, Graduate and Postdoctoral Studies created the Indigenous Graduate Excellence Recruitment

Fellowship for all self-identified Indigenous student entering a graduate degree on a full-time basis. Recruitment awards are for the first year of study and range in value from \$2,500 to \$10,000 based on degree type. Further support from the Québec government in the form of \$350,000 annually for five years will be used to enhance the experience of Indigenous students on our campuses.

McGill is strengthening Indigenous-focused research and building the academic complement. Currently, the University is seeking to fill five ranked Contract Academic Staff (CAS) and two tenure-stream faculty positions focusing on Indigenous studies in music, continuing studies, and education. These appointments will add to the 14 Indigenous-focused tenure track and four ranked CAS positions filled in the last five years across fields and faculties.

The Office of Indigenous Initiatives (OII) continues to coordinate annual events such as the Indigenous Awareness Weeks and the McGill Pow Wow in September. In Winter 2023, OII launched its first Winter Indigenous Speaker's Series. These activities aim to amplify Indigenous voices and perspectives on campus and foster a greater sense of community. They also serve to strengthen relationships with various partners including the Indigenous Student Alliance, the Department of Family Medicine, the Faculty of Education and efforts to address anti-Black racism. In Fall 2022, OII commenced the important work of developing policy and procedures to support Indigenous verification in Employment-Related Opportunities at McGill.

## FIAT LUX PROJECT

The Fiat Lux Project aims to create a new Library complex that will accommodate exciting advances in technology-based learning and pedagogy, proactively positioning it to meet the needs of current and future McGill students, faculty, and researchers. In Fall 2020, the McGill Board of Governors approved funds for the functional programming and design phases of Fiat Lux. In early 2021, the MES and the *Conseil des ministres* officially approved for the project to proceed directly to the *Dossier d'affaires* (DA) phase (planning and design to 60% completion).

Working with experts and stakeholder groups, the project team has completed the functional programming, the technical assessments of existing buildings, and developed a transformational architectural design concept to the 60% level advancement. Key objectives for this fiscal year are the review and approval of the project with the *Ministère de la culture et communications*, and with the *Ville de Montréal*, ongoing design progress and cost optimisation, and advancement of documentation for the DA submission to government.

In addition, the design and construction is nearing completion for a dedicated, off-site, automated collection facility to house most of the library collection. Next steps include installation of intelligent storage equipment and relocation of library collections. This facility is located in Valleyfield, Québec and is expected to be operational in early 2024.

## NEW VIC PROJECT

After over a century of providing healthcare to the local community, the Royal Victoria Hospital (RVH) moved its operations from the slope of Mount Royal to the MUHC's Glen site in 2015. Since then, the iconic site has remained largely vacant, awaiting an opportunity to serve the community anew.

Now, nearly a decade later, McGill is developing the New Vic, an innovative project to revitalize part of this historic site. The New Vic aims to transform a portion of the former hospital into a cutting-edge academic complex for learning, research, and teaching focused on sustainability and public policy.

In January 2022, decontamination and preliminary work began throughout heritage pavilions A, E, and L, as well as in post-war buildings M and S. Decontamination of pavilions M, L and S is complete. Work on pavilions A and E is ongoing.

In compliance with the Québec government's *Directive sur la gestion des projets majeurs d'infrastructure publique*, the University submitted a comprehensive *dossier d'affaires (DA)* to the Québec government for approval in Spring 2022. The Québec government approved the New Vic DA in June 2022 and confirmed its financial contribution of \$620 million. McGill's Board of Governors authorized the New Vic Project to proceed to the Construction Phase on October 6, 2022.

Following an extensive public consultation process, in May 2022, the *Office de consultation publique de Montréal (OCPM)* published their final report recommending the approval of two municipal bylaw amendments to enable the requalification of the former RVH site. The two amended bylaws were approved by City Council in Fall 2022 and came into force on January 6, 2023.

Lastly, the *Société québécoise des infrastructures*, City of Montreal and McGill University reached a Tripartite Agreement in Fall 2022, establishing the roles and responsibilities of each partner for the redevelopment of the former RVH site, including the New Vic portion.

## PENSION PLAN EMPLOYER CONTRIBUTIONS

All eligible employees who joined McGill on or after January 1, 2009, participate in Part B, the defined contribution segment of the McGill University Pension Plan (MUPP).

Employees hired prior to January 1, 2009, participate in Part A, the hybrid segment of the MUPP. For the Part A segment, in addition of funding the employer share of the defined contribution component, McGill must also cover the unfunded liabilities related to the defined benefit component.

According to the last actuarial valuation report as of December 31, 2019, McGill is expected to contribute \$30.7 million (or 6.5% of payroll) to the defined contribution segment, \$5.9 million (or 2.3% of payroll) with respect to cost of the Defined Benefit Minimum provision of the MUPP and a fixed \$3.8 million per year to address the unfunded pension liability of the MUPP. The exact amounts of contributions fluctuate with the changes in payroll level.

The above contributions will be adjusted retroactively upon receiving the results of the actuarial valuation as at December 31, 2022. A decrease in the contributions is expected as a result of favorable interest rates.

## SINKING FUND FOR BOND REPAYMENT

In 2019, the Board of Governors approved the McGill University Campus Master Plan. In order to help finance the deferred maintenance component of these initiatives, as well as IT infrastructure needs, long-term debt was emitted by the University. The University is required to set aside a portion of its unrestricted revenues on an annual basis and contribute to a sinking fund that will eventually be used to repay the debt at maturity. The University is currently ahead of schedule in making these contributions (Table 7).

Expected contributions for 2025-2026 and beyond have been revised as per the actual cumulative contributions, revised interest rates, amounts and timing for the issuance of new debt

Table 7: Sinking fund payments from the unrestricted fund through 2027-2028 (\$ thousands)

Fiscal Year	Expected (Annual)	Expected (Cumulative)	Actual Contributions (Annual)	Actual Contributions (Cumulative)
2018-2019	0	0	11,500 (a)	11,500
2019-2020	11,500	11,500	27,000 (a)	38,500
2020-2021	20,000	31,500	16,000 (a)	54,500
2021-2022	17,000	48,500	49,000 (a)	103,500
2022-2023	0	103,500	0 (f)	103,500
2023-2024	0	103,500	0 (b)	103,500
2024-2025	0	103,500	0 (o)	103,500
2025-2026	27,000	130,500	27,000 (o)	130,500
2026-2027	27,000	157,500	27,000 (o)	157,500
2027-2028	27,000	184,500	27,000 (o)	184,500

Note: (a) actual; (b) budgeted; (f) forecasted; (o) outlook

Ministry, notably aimed at increasing the number of graduates in areas of labour shortage. Tuition and fees are expected to increase by \$25.7 million (6.6%). The base regulated tuition rate is increasing by 3%. The majority of the increase in tuition and fees is driven by an increase in student enrolment and by deregulated tuition fee expectations.

Budgeted salary expenses for 2023-2024 are set to increase by \$36.4 million (4.6%) compared to the 2022-2023 forecast.

Non-salary expenses are set to increase by \$14.2 million (6.7%) compared to forecasted 2022-2023 expenses and reach \$227.4 million in 2023-2024. We have also built a \$10 million contingency into the 2023-2024 budget. Although the contingency is reserved in the first instance for uncertainties related to health and safety measures, inflationary pressures, and geopolitical instability, any residual operating surplus in 2023-2024 would be applied to sinking fund obligations for 2025-2026 thereon.

## 5.2 BUDGET 2023-2024

### UNRESTRICTED FUND

The budgeted surplus for the unrestricted fund for 2023-2024 stands at \$0.6 million, or 0.05% of budgeted unrestricted revenues (Table 8).

Unrestricted revenues are expected to increase by \$60.7 million (6.0%) in 2023-2024 compared to the 2022-2023 forecast. The overall budgeted revenues in 2023-2024 are \$1,073 million. Unrestricted expenses in 2023-2024 are expected to increase by \$60.6 million (6.0%) compared to the 2022-2023 forecast and reach \$1,072 million.

Provincial grant revenues are expected to increase by \$35.0 million (8.1%) in 2023-2024. This is largely the result of the indexation of the enrolment-driven teaching and support normed grants, as well as targeted investments made by the



Table 8: Budget 2023-2024, Unrestricted Fund (\$ thousands)

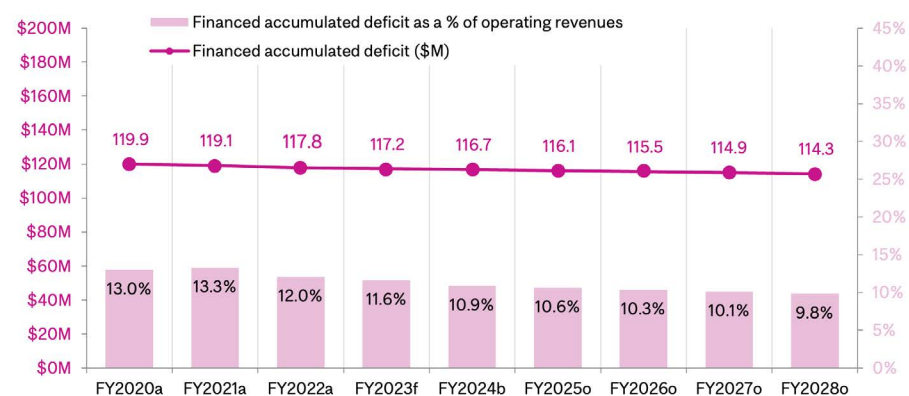
Unrestricted Fund	Forecast <sup>1</sup> 2022-2023	Budget 2023-2024	Variance (\$)	Variance (%)
Grants - Canada	\$32,931	\$32,030	(\$901)	(2.7%)
Grants - Québec	429,971	464,981	35,010	8.1%
Tuition & Fees	388,819	414,544	25,725	6.6%
Sales of Goods & Services	135,186	133,423	(1,763)	(1.3%)
Gifts & Bequests	8,729	6,979	(1,750)	(20.0%)
Endowment Revenue (Investment income)	7,681	11,681	4,000	52.1%
Short Term Interest Revenue (Interest income)	8,933	9,274	341	3.8%
<b>Revenues: Total</b>	<b>\$1,012,250</b>	<b>\$1,072,913</b>	<b>\$60,662</b>	<b>6.0%</b>
Academic Salaries	\$321,229	\$338,016	\$16,787	5.2%
Administrative and Support Salaries	286,408	300,413	14,005	4.9%
Student Salaries & Payments	17,643	18,259	616	3.5%
Student Aid	53,221	55,994	2,773	5.2%
Benefits	113,077	115,300	2,223	2.0%
<b>Expenses: Salaries and Benefits</b>	<b>\$791,579</b>	<b>\$827,983</b>	<b>\$36,404</b>	<b>4.6%</b>
Materials, Supplies & Publications	\$39,874	\$40,278	\$404	1.0%
Building & Occupancy Costs	39,354	46,802	7,448	18.9%
Contract Services	25,309	26,506	1,197	4.7%
Energy	19,945	21,277	1,332	6.7%
Cost of Goods Sold & Services Rendered	18,924	18,914	(10)	(0.1%)
Hardware and Software Maintenance	17,867	19,358	1,491	8.3%
Professional Fees	15,024	11,116	(3,908)	(26.0%)
Contribution to Partner Institutions	11,226	11,221	(6)	(0.1%)
Capital Purchases	6,596	8,240	1,644	24.9%

Interest & Bank Charges	853	1,936	1,083	127.0%
Other Non-Salary Expenses	18,164	21,706	3,542	19.5%
<b>Expenses: Non-Salary</b>	<b>\$213,136</b>	<b>\$227,352</b>	<b>\$14,216</b>	<b>6.7%</b>
Inter-Fund Transfers	7,013	7,009	(4)	(0.1%)
Contingency	0	10,000	10,000	
<b>Expenses: Total</b>	<b>\$1,011,727</b>	<b>\$1,072,344</b>	<b>\$60,617</b>	<b>6.0%</b>
<b>Surplus / (Deficit)</b>	<b>\$523</b>	<b>\$569</b>	<b>\$46</b>	

<sup>1</sup>as per January 2023 actuals and commitments, inputs from units, and trend forecasts.

## FIVE-YEAR OUTLOOK

Figure 8: Unrestricted Fund: Five-Year Budget



Note: (a): Actual; (f): Forecast; (b): Budget; (o): Outlook.

## RESTRICTED FUND

Restricted fund revenues and expenses are generally in the \$400 million range on an annual basis. On average, about two-thirds of restricted fund revenues are from grants, with most of the remaining third split between spendable income from endowments, and gifts and bequests.

ENDOWMENT FUND

The endowment fund is governed pursuant to the terms of the Statement of Investment Policy under the authority of the Board of Governors and of the Investment Committee. The University is a careful steward of the gifts and donations it receives and is mindful of the obligations it undertakes whenever accepting philanthropic support.

Pledges from fundraising and other donations are recorded in the period in which they are collected (excluding commitments). In terms of McGill’s predicted philanthropic revenue, total “cash in” (gifts plus pledge payments and market value of gifts-in-kind) is forecasted to be between \$140 million and \$160 million for 2022-2023 and budgeted to be between \$140 million and \$160 million for 2023-2024.

For the most part, donations are restricted with approximately one-third of new donations destined for the endowment fund, generally to be held in perpetuity and invested in the McGill Investment Pool (“MIP”). Table 9 provides a breakdown for 2021-2022. The overall objective of the MIP is to preserve (in real dollar terms) the capital of the MIP, within the social and ethical norms of the University, including sustaining a low carbon emissions portfolio, to obtain a total return (yield plus capital appreciation) necessary to provide a dependable and optimal source of income for endowment beneficiaries and to cover the annual operating costs of the MIP.

The market value of McGill’s endowment, including trust funds (electing to be invested in the MIP), has achieved steady growth during the past several years. Additional donations to the endowment fund as well as re-capitalization allow the purchase of more units while the performance of related investments impacts the unit value.

As of April 30, 2022, the market value of the endowment fund was \$1.82 billion. While the market value of the fund increased by 3.3% in the first nine months of 2022-2023, inter-fund transfers from the endowment fund are expected to be higher in 2022-2023 compared to the previous year (Table 10).

Table 9: Donations by type, 2021-2022 (\$ thousands)

Fund	Endowment	Direct Spend	Total
Unrestricted	\$0	\$8,811	\$8,811
Restricted	\$35,930	\$51,534	\$87,464
Plant <sup>(1, 2)</sup>	\$0	\$6,471	\$6,471
<b>Total</b>	<b>\$35,930</b>	<b>\$66,816</b>	<b>\$102,746</b>

(1) Plant fund gifts are largely gifts in kind.  
(2) An additional \$61,429 of gifts in kind are recorded in the Plant fund.

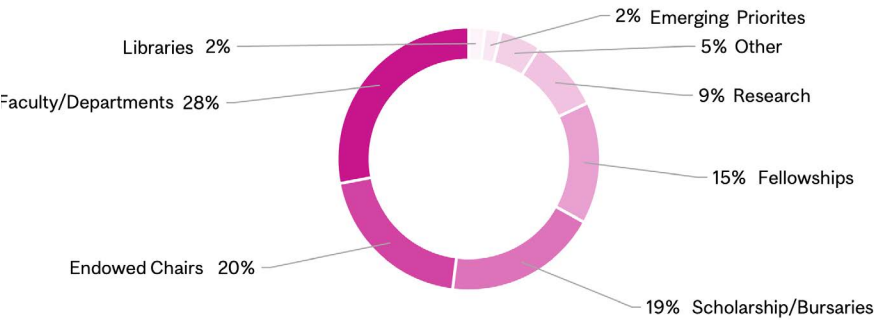
Table 10: Endowment Fund, at April 30

Year	MIP Market value (\$M)	Number of MIP units	MIP Unit Value
2017	\$1,612.3	3,796,339	\$424.71
2018	\$1,627.1	3,888,657	\$418.43
2019	\$1,679.1	4,011,488	\$418.58
2020	\$1,576.2	4,126,526	\$381.96
2021	\$1,891.7	4,270,749	\$442.95
2022	\$1,815.1	4,377,679	\$414.62

For more information, please refer to the annual Report on Endowment Performance: [www.mcgill.ca/investments/annual-reports](http://www.mcgill.ca/investments/annual-reports)

Unit value of the MIP is calculated quarterly (July, October, January, and April) and income is distributed monthly and adjusted quarterly for capital additions and withdrawals. As at April 30, 2022, \$69.9 million in endowment spending was distributed among the categories in Figure 9.

Figure 9: Distribution of Endowed Spending, at April 2022



PLANT FUND

The plant fund includes capital grants received primarily for the purposes of renovating existing space, addressing deferred maintenance projects, and from time to time, constructing new space in addition to purchasing capital assets. As well, there are contributions in the way of gifts and bequests as well as contributions from student groups.

McGill’s capital budget includes projects totalling \$2.4 billion between 2023-2024 and 2027-2028. The 2023-2024 budget for such projects amounts to \$424.8 million, including \$13 million of construction financed by debt, \$148.5 million of capital budget coming from the MES (including the deferred maintenance portion) and \$28.3 million of IT projects financed by debt. This planned budget includes initial amounts related to the potential development of the New Vic Project site and the Fiat Lux library transformation. Table 11 provides a breakdown of major capital projects financed by bond in 2023-2024.

Following the change in the distribution of the capital grant funding envelope by MES in 2018-2019, McGill’s share of the provincial capital grant had been increasing mostly due to the age factor and state of buildings.

In 2015-2016, a Québec-wide exercise led by *Bureau de Coopération Inter-universitaire (BCI)* sought to identify our deferred maintenance inventory. Officially, our deferred maintenance deficit, in MES-subsidized buildings (excluding downtown residences), is estimated at \$737 million. Because of limitations in the methodology, this number is an absolute minimum (e.g., it does not include costs associated with any additional work required resulting from studies recommended by the building auditors).

Table 11: Major Capital Projects Financed by Bonds in 2023-2024 (\$ millions)

Project	Planned Spending 2023-2024	Total Cost Estimate
Fiat Lux	\$24.6	\$200.0
McConnell Arena - Replacement-Installation of Ventilation-Cooling Systems	\$2.5	\$12.3
IT Disaster Recovery Plan	\$5.2	\$17.3
Network and Telephone System Update	\$4.3	\$32.4

### OVERALL BORROWING AND DEBT POSITION

Consistent with prior years, *Financement-Québec* asked the University to institute a *régime d’emprunts* until June 30, 2023, to borrow from *Financement-Québec* as a way to receive the next installment of the Québec capital grant. This maximum borrowing amount for McGill for the period ending June 30, 2023, is \$26.5 million. Both the annual interest and the capital amount borrowed are repaid by MES. In most circumstances, both the interest and capital are repaid via additional issuances of long-term borrowings. MES requests that each university board

adopt a resolution authorizing the university to “borrow” long term. The new debt is issued by *Financement-Québec* to refinance the province’s maturing debt, and to reimburse short-term bank borrowings incurred by the University on behalf of the Québec government.

Effective February 2022, short term financing of capital projects funded by MES must be transacted directly through *Financement-Québec* on a monthly basis, based on expenses incurred. Interest will be paid by *Financement-Québec* directly.

As at January 31, 2023, the University’s total borrowings were \$1.48 billion, of which \$1.28 billion was long-term debt. Included in the long-term debt is \$250 million of McGill Senior Unsecured Debentures issued in January 2016 and July 2019 and \$150 million of McGill Senior Unsecured Debentures issued in 2002. The remaining \$875.6 million is substantially all due from MES, for which MES reimburses interest expense to the University for outstanding matured bonds and capital grant.

The cost of short-term borrowing has increased from 2.5% to 5.2% over the course of 2022-2023 and total interest and bank charges expenses are forecast to be \$1.4 million for the year ending April 30, 2023. Should the University return to a borrowing position, the average borrowing rate is expected to rise to 5% or higher in 2023-2024. For the purpose of budget estimates, the higher projected short-term borrowing rate is expected to be somewhat offset by lower projected bank borrowing needs resulting from the establishment of the new *Financement-Québec* line of credit for capital projects. As such, our interest and bank charges expenses will be approximately \$1.5 million.

S&P Global affirmed its AA- (stable) rating in their report dated February 8, 2023, unchanged from that of February 2022. Moody’s issued its annual rating on March 8, 2023, confirming McGill’s rating of Aa2 (stable), on the Series A (\$150 million), Series B (\$160 million) and Series C (\$90 million) issuances, unchanged from that of January 2022.

### FINANCIAL RISKS

**Stability of the Québec funding policy:** 2019-2020 was the first year of the full application of the updated funding policy. Since then, the Québec government has continued to increase its investments in higher education during the COVID-19 pandemic, increased unrestricted funding for teaching and administrative support, as well as for capital projects. Looking ahead to 2023-2024, there will be continued financial support by the Québec Government. Although we are assuming less

uncertainty related to the COVID pandemic, we will be closely monitoring and mitigating the risks associated with the possible recalibration of government funding in future years. Of note, the Québec Government is currently reviewing the provincial funding policy, in collaboration with universities. The result of this review may result in changes of Québec grant assumptions for 2024-2025 thereon.

**Success of the University in deploying its enrolment plan for Fall 2023:** The ability of McGill to deploy its enrolment plan for fall 2023 represents a budgetary risk, associated primarily with the decline of international deregulated fee-paying students. To meet the data requirements of strategic enrolment planning, the Analysis, Planning, and Budget Unit within the Office of the Provost and Vice-Principal (Academic) has developed a flexible Business Intelligence (BI) and Analytics environment that has proven its capacity to provide McGill's team of Senior Executives with accurate and timely data and business insights on applications, offers of admission and responses from prospective students.

**Success of efforts to control the growth of staffing levels:** Labour is the primary driver of expenses at the University. As presented to the Board of Governors received in April 2023, the [2023 McGill University Staffing Report](#) showed historically sustained growth of administrative and support staff. In the context of financial uncertainty related to COVID-19, hiring controls were implemented in 2020-2021 which resulted in the stabilization of headcounts. During 2021-2022 and 2022-2023, the hiring control measures that were implemented at the onset of COVID-19 were eased, allowing to replace unfilled positions in order to support teaching and research, critical operations, as well as increased on-campus activities. Growth of headcounts for 2023-2024 is anticipated to be limited. We are currently working on implementing new hiring processes and tools to better plan, monitor and control the appropriate complement of academic and support staff.

**Application of an optimal pricing strategy for tuition fees of deregulated students:** McGill is striving to balance the need to charge competitive tuition fees with the need to attract high-performing applicants. In fall 2022, McGill introduced a Guaranteed Tuition Model for new international bachelors who pay international tuition fees. This model allows prospective students to know now the total cost of tuition for their degree program before committing to McGill.

**Effective financial management of activities expected to be self-financing:** A large number of funds associated with ancillary activities at the University are expected to be self-financing from external revenue and to not draw on resources funded from unrestricted revenue, which should be allocated in priority to the academic mission of the University.

**Accuracy of cost estimates for capital projects:** The accuracy of estimates of capital project costs depends on the ability of the University to track costs of all inputs to capital projects. This risk applies especially to IT projects, which are very different in nature than other capital projects. While the work performed on construction capital project is mostly performed by external vendors, a significant amount of work on IT projects is being performed by internal staff, including staff outside IT Services who allocate significant amounts of time to defining business needs and requirements, developing specifications, performing testing and validation of new IT systems and participating in the governance of IT projects.

**Financial market risks:** The University manages financial market risks through its Financial Risk Management Policy which is primarily concerned with three types of financial market risks: interest rate risk, foreign exchange risk and commodity risk (primarily related to energy). The Policy provides senior executives of the University with the authority to use derivative instruments to mitigate exposure to these risks.

**Interest rates:** After eight consecutive rate hikes totaling 425bps since January 2022 and inflation coming off its peak, market participants are expecting the Central Bank to take a pause in its tightening cycle. Further increases in short-term rates cannot be ruled out should inflation remain higher than projected. Interest rates have an impact on McGill's investment revenues and borrowing costs. The issuance of new debt to fund capital projects will likely be at a higher cost, thus increasing the amount of sinking fund payments over time. These increased costs would be somewhat offset by higher interest income from the sinking fund, and by the protection offered from the hedge (rate lock) implemented for the upcoming long bond issuance.

**Inflation:** Inflationary pressure is of concern. Financial risks are mitigated by limiting the spending capacity of units through the controlled allocation of incremental budgets, by centrally monitoring the financial situation monthly, and using a contingency. In the event of unforeseen cost increases for certain activities, decisions will be taken to reduce expenses and/or delay other activities to remain within our financial capacity.

# APPENDIX 1: 2022-2023 BUDGET AND 2022-2023 FORECAST, UNRESTRICTED FUND (\$ THOUSANDS)

Unrestricted Fund	Budget 2022-2023	Forecast <sup>1</sup> 2022-2023	Variance (\$)	Variance (%)
Grants - Canada	\$31,799	\$32,931	\$1,132	3.6%
Grants - Québec	415,970	429,971	14,000	3.4%
Tuition & Fees	410,568	388,819	(21,749)	(5.3%)
Sales of Goods & Services	124,026	135,186	11,159	9.0%
Gifts & Bequests	7,826	8,729	904	11.5%
Endowment Revenue (Investment income)	9,485	7,681	(1,804)	(19.0%)
Short Term Interest Revenue (Interest income)	1,825	8,933	7,108	389.5%
<b>Revenues: Total</b>	<b>\$1,001,500</b>	<b>\$1,012,250</b>	<b>\$10,751</b>	<b>1.1%</b>
Academic Salaries	\$326,025	\$321,229	(\$4,796)	(1.5%)
Administrative and Support Salaries	277,500	286,408	8,908	3.2%
Student Salaries & Payments	15,500	17,643	2,143	13.8%
Student Aid	50,046	53,221	3,175	6.3%
Benefits	112,678	113,077	399	0.4%
<b>Expenses: Salaries and Benefits</b>	<b>\$781,750</b>	<b>\$791,579</b>	<b>\$9,829</b>	<b>1.3%</b>
Materials, Supplies & Publications	\$39,583	\$39,874	\$291	0.7%
Building & Occupancy Costs	38,859	39,354	494	1.3%
Contract Services	24,002	25,309	1,307	5.4%
Energy	19,605	19,945	340	1.7%
Cost of Goods Sold & Services Rendered	18,767	18,924	157	0.8%
Hardware and Software Maintenance	16,562	17,867	1,305	7.9%
Professional Fees	12,285	15,024	2,738	22.3%
Contribution to Partner Institutions	10,366	11,226	860	8.3%
Capital Purchases	9,175	6,596	(2,579)	(28.1%)
Interest & Bank Charges	932	853	(80)	(8.6%)
Other Non-Salary Expenses	12,497	18,164	5,667	45.4%
<b>Expenses: Non-Salary</b>	<b>\$202,634</b>	<b>\$213,136</b>	<b>\$10,502</b>	<b>5.2%</b>
Inter-Fund Transfers	6,495	7,013	517	8.0%
Contingency	20,000	0	(20,000)	(100.0%)
<b>Expenses: Total</b>	<b>\$1,010,879</b>	<b>\$1,011,727</b>	<b>\$849</b>	<b>0.1%</b>
<b>Surplus / (Deficit)</b>	<b>(\$9,379)</b>	<b>\$523</b>	<b>\$9,902</b>	

<sup>1</sup> as per January 2023 actuals and commitments, inputs from units, and trend forecasts

Note: Those items are not included in the budget nor the forecast: (1) Unrealised gains (losses); (2) Book-to-Market Adjustments; (3) pension liability and post-employment benefit restatement; (4) accruals for vacation, pension obligations and post-employment benefits.



## APPENDIX 2: 2022-2023 FORECAST AND 2023-2024 BUDGET, UNRESTRICTED FUND (\$ THOUSANDS)

Unrestricted Fund	Forecast <sup>1</sup> 2022-2023	Budget 2023-2024	Variance (\$)	Variance (%)
Grants - Canada	\$32,931	\$32,030	(\$901)	(2.7%)
Grants - Québec	429,971	464,981	35,010	8.1%
Tuition & Fees	388,819	414,544	25,725	6.6%
Sales of Goods & Services	135,186	133,423	(1,763)	(1.3%)
Gifts & Bequests	8,729	6,979	(1,750)	(20.0%)
Endowment Revenue (Investment income)	7,681	11,681	4,000	52.1%
Short Term Interest Revenue (Interest income)	8,933	9,274	341	3.8%
<b>Revenues: Total</b>	<b>\$1,012,250</b>	<b>\$1,072,913</b>	<b>\$60,662</b>	<b>6.0%</b>
Academic Salaries	\$321,229	\$338,016	\$16,787	5.2%
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Benefits	113,077	115,300	2,223	2.0%
<b>Expenses: Salaries and Benefits</b>	<b>\$791,579</b>	<b>\$827,983</b>	<b>\$36,404</b>	<b>4.6%</b>
Materials, Supplies & Publications	\$39,874	\$40,278	\$404	1.0%
Building & Occupancy Costs	39,354	46,802	7,448	18.9%
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<b>Expenses: Non-Salary</b>	<b>\$213,136</b>	<b>\$227,352</b>	<b>\$14,216</b>	<b>6.7%</b>
Inter-Fund Transfers	7,013	7,009	(4)	(0.1%)
Contingency	0	10,000	10,000	
<b>Expenses: Total</b>	<b>\$1,011,727</b>	<b>\$1,072,344</b>	<b>\$60,617</b>	<b>6.0%</b>
<b>Surplus / (Deficit)</b>	<b>\$523</b>	<b>\$569</b>	<b>\$46</b>	

<sup>1</sup> as per January 2023 actuals and commitments, inputs from units, and trend forecasts

Note: Those items are not included in the budget nor the forecast: (1) Unrealised gains (losses); (2) Book-to-Market Adjustments; (3) pension liability and post-employment benefit restatement; (4) accruals for vacation, pension obligations and post-employment benefits.

## APPENDIX 3: UNIVERSITY SIGNIFICANT ACCOUNTING POLICIES

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The University's audited financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") using the deferral method.

The following significant accounting policies are included in the annual audited **Financial Statements** of the University:

### 1. REVENUE RECOGNITION

The University follows the deferral method of accounting for restricted contributions, which include gifts and bequests, contracts, and grants. Research grants are recognized as revenue in the year in which related expenses are recognized.

Interest and dividend revenue is recorded on an accrual basis. Realized gains or losses on sales of investments are recorded when securities are sold. Unrealized gains and losses related to the change in market value are recorded as investment income.

### 2. CAPITAL ASSETS

Capital assets are recorded at cost. Purchases made using restricted funds are capitalized directly in the Plant fund. Restricted fund contributions will be recorded in the Plant fund as deferred contributions and recognized as revenue simultaneous to the amortization expense. Constructed assets do not include interest incurred during construction. Contributed capital assets are recorded at appraised fair value at the date of contribution when fair value can be reasonably estimated; otherwise, they are recorded at a nominal amount. Amortization of assets under development commences when development is completed.

### 3. GRANTS RECEIVABLE

Under generally accepted accounting principles (GAAP), these amounts meet the criteria of an asset. An offsetting liability is recorded as a corresponding deferred contribution.

### 4. PLEDGES

Donation pledges are not recognized until received and are disclosed in the notes to the financial statements, consistent with other Canadian Universities and ASNPO.

### 5. DISCOUNTING OF LONG-TERM GRANTS RECEIVABLE

Under GAAP, long-term receivables are discounted to their present value. A rate based on risk of the counter party will be agreed to.

### 6. DEFERRAL OF RESEARCH AND CAPITAL GRANTS

Under the deferral method, unspent research and capital grants are recorded as deferred contributions, rather than as grant revenue. Revenue recognition occurs in the year as related expenses are incurred.

### 7. LONG-TERM DEBT

Long-term debt is presented at the gross value of all outstanding debt.

### 8. UNUSED VACATION DAYS, POST-RETIREMENT BENEFIT OBLIGATIONS, AND ACCRUED PENSION LIABILITIES

In the case of unused vacation days, post-retirement benefit obligations, and accrued pension liabilities, accruals are recorded over the periods of service. An actuarial accounting valuation is performed annually at year-end to determine the amounts related to the pension liability and the post-employment benefit obligation. The valuation will use estimates and assumptions as agreed to by management. The tri-annual actuarial valuation for the pension plan was last performed as at December 31, 2019.

## APPENDIX 4: GLOSSARY

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**Accrual:** The accrual accounting method reports revenue when earned (rather than received), and expenses when incurred (rather than paid).

**Activity:** Production under the responsibility, control, and management of an institutional unit, that uses inputs of labour, capital, and goods and services to produce outputs of goods and services.

**Amortization:** Systematic and rational allocation of costs of assets over time when economic benefits of such assets are expected to arise over several accounting periods. Also, for those units required to repay internal loans, it represents the systematic repayment of the debt over the agreed period.

**Asset:** A tangible or intangible item of positive value to the University (e.g., cash, government receivables, a building, or a piece of equipment).

**Bequest:** A gift given to the University at the time of a person's death as set forth in the individual's last will and testament. Bequests can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Bequests are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted.

**Budget:** An organizational plan stated in monetary terms; functions as a tool to measure revenue and expenditures against expectations.

**Capital Assets:** Assets used in operations, either tangible (e.g., plant, property, equipment) or intangible (e.g., software) that have an initial useful life of more than one year. See also Plant Fund.

**Capitalization:** Term used in relation to the endowment fund when unspent distributed income is reinvested in the endowment fund.

**Conditional grant:** 10% of the provincial grant, which can be withheld by the MES if a university runs an annual deficit, based on a predetermined formula (excluding year-end audit adjustments), without providing a plan to return to a balanced budget. This grant is accrued and typically paid subsequent to year-end.

**Deferred Maintenance:** The amount of renovation and upgrade required for the University's physical infrastructure. The repairs are serious and urgent in

nature as preventive maintenance was not performed in prior years. Examples include: upgrading ventilation systems, roof replacements, and building facade replacements.

**Deficit:** Also known as overdraft; the amount by which a fund's expenses and transfers out exceed revenue and transfers in.

**Deregulated:** Refers to tuition fees that are set by the University rather than by government regulation.

**Donation:** An act of presenting something as gift, bequest, or contribution, especially to a public institution or charity.

**Endowment Fund:** Consists of all gifts, donations, and bequests, including those for Chairs, financial aid, and other specific purposes, held in perpetuity and invested to earn a reasonable rate of return over time, while attempting to protect the purchasing power of the original gift. The earned income is distributed according to the University policy in effect and is spent as specifically designated by the donor.

**Expense:** Decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, resulting from an entity's ordinary revenue generating or service delivery activities.

**Fiscal Year:** Twelve consecutive months used for accounting purposes. As of 2011-2012 the 12-month financial year starts on May 1 and ends on April 30.

**Gift:** A resource provided by a donor who enters into the transaction voluntarily and receives nothing other than a token of appreciation in exchange for the resource he/she is providing. Contributions can have a variety of forms including, but not limited to: cash, marketable securities, tangible fixed assets, and consumable commodities. Gifts are classified according to the absence or presence of donor stipulations as unrestricted, temporarily restricted, or permanently restricted. See also Bequest and Donation.

**Grant:** A monetary award, allowance or subsidy.

**Indirect costs of research:** Institutional costs incurred by the University to support research projects, including items such as infrastructure costs, utilities, computer infrastructure, and administrative support for commercialization of research.

**Investment:** Refers to an exchange of cash for a less liquid asset that is expected to increase in value beyond the initial purchase price. Investment vehicles include corporate stocks and bonds, government bonds and real estate.

**MES:** Ministère de l'enseignement supérieur du Québec.

**Operating grant:** The grant received from the MES in support of the primary mission of teaching and research. The preliminary amount is presented in the *Règles budgétaires* and confirmed in the *Calculs définitifs*. Also known as the '*subvention de fonctionnement*' in French.

**Plant Fund:** Capital projects and assets; including those funds from Québec capital grants, donations, and other sources.

**Restricted Fund:** Any fund with stipulations imposed by a sponsor or donor external to the University. A particular project or activity is specified in writing by the donor. These funds also refer to research-related funds from Canadian, Québec, and international sources.

**Revenue:** Income generated by the supply of goods or services by the University unit to an external customer. Some examples are: government grants, tuition and fees, sales of goods and services to external entities, and earnings on investments.

**Revenue and expense reclassifications:** Action of moving budget from one budget expense category to another one. This typically happen throughout the fiscal year when a global amount for a given initiative is budgeted but the detailed breakdown is not yet available. Often, the budget will be classified in a residual budget expense category (e.g., other non-salary expenses).

**Sinking Fund:** Fund containing money set aside to pay off a debt or bond.

**Surplus:** the amount by which a fund's revenue and transfers in exceed expenses and transfers out.

**Tenure-stream:** A term that refers to either tenured or tenure-track academic staff.

**Unrestricted Fund:** Fund containing unrestricted revenue to be used primarily to fund activities supporting the core teaching and research activities. The University can allocate unrestricted revenue at its discretion, subject to legislation and government regulation. University revenue are primarily from grants, tuition and fees, overhead on research grants, investment and endowment income, and annual gifts. The unrestricted fund covers most operating expenses and is used as the residual source of funding for capital projects and repayment of financial liabilities when no other source of funding is available.

**Year-End Audit Adjustments:** Costs related to major institutional obligations – unused vacation days, post-retirement benefit obligations, and accrued pension liabilities – for which we are required to record accruals over the periods of service. These three adjustments explain the difference between the GAAP Accumulated Deficit and the University Financed Accumulated Deficit. These adjustments are also excluded from the provincial calculation of annual operating results in determining eligibility for the conditional grant.